

## Message Text

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ACTION EB-08

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TAGS: ETRD, YO

SUBJ: YUGOSLAV EXPORTS OF READY-MADE MEN'S SUITS TO U.S.

REF: BELGRADE 3280

1. I AM CONCERNED THAT THE PROBLEM OF YUGOSLAV EXPORTS OF READY-MADE MEN'S SUITS, RAISED WITH ME APRIL 26 BY SECRETARY LUDVIGER AND REPORTED REFTEL, MAY, UNLESS WE EXAMINE IT CAREFULLY AND IN A BROADER CONTEXT, DEVELOP INTO AN ISSUE THAT COULD CLOUD THE RECENT AND CONSIDERABLE IMPROVEMENT IN OUR TRADE AND ECONOMIC RELATIONS WITH YUGOSLAVIA. IF LUDVIGER IS CORRECT IN SAYING THAT SUCH EXPORTS ACCOUNT FOR ONLY 1 PERCENT OF TOTAL U.S. IMPORTS, WHILE YUGOSLAVIA HAD RECEIVED A QUOTA OF 3 PERCENT UNDER OUR RECENT BILATERAL AGREEMENT AND HAD BEEN ENCOURAGED BY US AT THE EXPIRATION OF THAT AGREEMENT NOT TO NEGOTIATE A NEW QUOTA LEVEL FOR THESE EXPORTS, THEN THE YUGOSLAVS WOULD APPPEAR TO HAVE GOOD REASON TO QUESTION OUR PRESENT ACTIONS IN THIS MATTER. EVEN IF THESE "FACTS" ARE NOT THE WHOLE STORY (THEY SELDOM ARE), HAVING UNDERTAKEN EFFORTS TO INCREASE AND BETTER BALANCE THEIR TRADE WITH US BY EXPANDING EFFORTS IN ONE OF THE STILL  
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RELATIVELY FEW AREAS WHERE THEY CAN BE COMPETITIVE ON THE AMERICAN MARKET, THE YUGOSLAVS ARE CLEARLY ALARMED BY OUR APPARENT INTENTION TO LIMIT FURTHER EXPORT GROWTH IN THIS AREA, AS MUCH FOR WHAT IT MAY PORTEND FOR THEIR FUTURE TRADE RELATIONSHIP WITH US AS FOR THE NARROW IMPACT ON THE INDUSTRY INVOLVED.

2. BEYOND THESE DIRECT ECONOMIC CONSIDERATIONS, HOWEVER, I BELIEVE

WE MUST EXAMINE THE MATTER CLOSELY IN THE BROADER CONTEXT OF OUR OVERALL BILATERAL RELATIONSHIP WITH YUGOSLAVIA AT THE PRESENT TIME. THIS RELATIONSHIP HAS BEEN RECENTLY DESCRIBED BY FOREIGN SECRETARY MINIC AS THE BEST WE HAVE HAS IN 30 YEARS AND IS THE RESULT OF A SERIES OF ACTIONS AND HIGH LEVEL VISITS UNDERTAKEN DURING THE PAST YEAR IN FURTHERANCE OF OUR BASIC POLICY OBJECTIVES IN THIS COUNTRY. LOOKING AHEAD TO THE POST-TITO PERIOD, WE HAVE WORKED HARD TO STRENGTHEN AND IMPORVE BILATERAL RELATIONS ACROSS THE BOARD IN POLITICAL, ECONOMIC, MILITARY AND OTHER AREAS. DURING TITO'S RECENT AND SUCCESSFUL VISIT TO WASHINGTON THE IMPORTANCE OF OUR ECONOMIC RELATIONS AND THE COMMITMENT BY BOTH SIDES TO INCREASE BILATERAL TRADE WERE CLEARLY SET FORTH. OUT ACTIONS IN THE TRADE FIELD AT THIS TIME, THEREFORE, MUST BE VIEWED AGAINST THIS BACKGROUND AND SHOULD PROVIDE A POSITIVE FOLLOW-UP TO THE TITO VISIT AND CONTINUED FORWARD MOMENTUM IN THE IMPROVEMENT OF OUR OVERALL REALATIONSHIP.

3. I UNDERSTAND THAT THE YUGOSLAVS ARE SENDING A TEAM TO WASHINGTON FOR TALKS ON THE SUIT EXPORT PROBLEM MAY 4-5. I WOULD APPRECIATE RECEIVING A REPORT ASAP ON THE STATUS OF THESE TALKS AND THE POSITION THAT WE WILL BE TAKING AT THEM. LUDVIGER INDICATED THAT THE YUGOSLAVS ARE FULLY PREPARED TO DISCUSS THE MATTER, AND PROBABLY WILLING TO AGREE INFORMALLY TO CERTAIN EXPORT LEVELS. HE MADE CLEAR, HOWEVER, THAT THEY WOULD STRONGLY OBJECT TO ANY WRITTEN AGREEMENT THAT WOULD LIMIT EXPORTS AND THUS ADVERSELY LIMITED OFFICIAL USE

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AFFECT CURRENT EFFORTS HERE TO SHIFT TOWARD GREATER RELIANCE ON THE US MARKET FOR IMPORTS AS WELL AS EXPORTS. ALTHOUGH THIS PARTICULAR ISSUE MAY BE, INTRINSICALLY, A SMALL ONE, IT IS, PSYCHOLOGICALLY, OF GREAT IMPORTANCE -- PARTICULARLY COMING AS IT DOES ON THE HEELS OF THE TITO VISIT. I HOPE, THEREFORE, THAT THE USG WILL APPROACH IT WITH PROPER REGARD NOT ONLY FOR DOMESTIC CONSIDERATIONS, BUT FOR OUR BROADER POLITICAL AND ECONOMIC OBJECTIVES AS WELL. EAGLEBURGER

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